

63-7-586

North Oakland County
Fire Authority

Holly, Michigan

~~CAUTION~~

Financial Statements

For the Year Ended June 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name North Oakland County Fire Authority	County Oakland
Audit Date November 12, 2004	Opinion Date November 12, 2004	Date Accountant Report Submitted to State: December 29, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

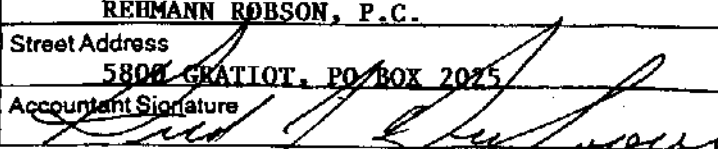
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

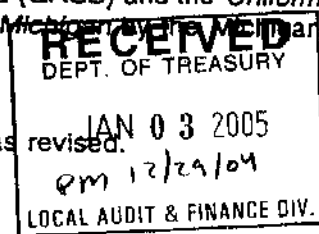
You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON, P.C.		GERALD J. DESLOOVER, CPA	
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	ZIP 48605
Accountant Signature 			



NORTH OAKLAND COUNTY FIRE AUTHORITY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Assets and Governmental Funds Balance Sheet	3
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets on the Statement of Net Assets	4
Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Amended Budget and Actual – Governmental Fund Type - General Fund	7
Notes to Basic Financial Statements	8-14
Internal Control and Compliance	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 12, 2004

To the Board of Directors
North Oakland County Fire Authority
Holly, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the **North Oakland County Fire Authority, Michigan**, as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **North Oakland County Fire Authority, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **North Oakland County Fire Authority, Michigan**, as of June 30, 2004, and the respective changes in financial position thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the financial statements.

Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rehmann Loham

BASIC FINANCIAL STATEMENTS

NORTH OAKLAND COUNTY FIRE AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2004

ASSETS	GENERAL	CAPITAL PROJECTS	REPORTING ENTITY	ADJUSTMENTS	STATEMENT OF NET ASSETS
Cash and cash equivalents	\$ 302,429	\$ 455,729	\$ 758,158	\$ -	\$ 758,158
Accounts receivable	3,181	-	3,181	-	3,181
Capital Assets					
Assets not being depreciated	-	-	-	115,000	115,000
Assets being depreciated, net	-	-	-	835,887	835,887
TOTAL ASSETS	\$ 305,610	\$ 455,729	\$ 761,339	950,887	1,712,226
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	-	-
FUND BALANCE					
Reserved for equipment	-	341,797	341,797	(341,797)	-
Reserved for building	-	68,359	68,359	(68,359)	-
Unreserved					
Designated for contingency	305,610	45,573	351,183	(351,183)	-
TOTAL LIABILITIES AND FUND BALANCE	305,610	455,729	761,339	(761,339)	-
NET ASSETS:					
Investment in capital assets				950,887	950,887
Reserved for equipment				341,797	341,797
Reserved for building				68,359	68,359
Unreserved					
Designated for contingency				351,183	351,183
TOTAL NET ASSETS				\$ 1,712,226	\$ 1,712,226

The accompanying notes are an integral part of these financial statements.

**NORTH OAKLAND COUNTY FIRE AUTHORITY
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS
ON THE STATEMENT OF NET ASSETS
June 30, 2004**

Fund balances - total governmental funds	\$ 761,339
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	1,940,125
Deduct - accumulated depreciation	<u>(989,238)</u>

Net assets of governmental activities	<u>\$ 1,712,226</u>
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The accompanying notes are an integral part of these financial statements.

NORTH OAKLAND COUNTY FIRE AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
For the year ended June 30, 2004

	GENERAL	CAPITAL PROJECTS	REPORTING ENTITY	ADJUSTMENTS	STATEMENT OF ACTIVITIES
EXPENDITURES					
Fire and emergency protection - operations	\$ 681,238	\$ -	\$ 681,238	\$ -	\$ 681,238
Depreciation	-	-	-	80,764	80,764
Capital outlay	93,595	-	93,595	(93,595)	-
TOTAL EXPENDITURES	774,833	-	774,833	(12,831)	762,002
GENERAL REVENUES					
Tri-party contributions	930,628	-	930,628	-	930,628
Interest	9,181	5,049	14,230	-	14,230
Other	102,950	-	102,950	-	102,950
TOTAL REVENUES	1,042,759	5,049	1,047,808	-	1,047,808
REVENUES OVER EXPENDITURES	267,926	5,049	272,975	(272,975)	-
CHANGE IN NET ASSETS				285,806	285,806
FUND BALANCES/NET ASSETS, BEGINNING OF YEAR, as restated	37,684	450,680	488,364	938,056	1,426,420
FUND BALANCES/NET ASSETS, END OF YEAR	\$ 305,610	\$ 455,729	\$ 761,339	\$ 950,887	\$ 1,712,226

The accompanying notes are an integral part of these financial statements.

**NORTH OAKLAND COUNTY FIRE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2004**

Net change in fund balances - total governmental funds	\$ 272,975
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	93,595
Deduct - depreciation expense	<u>(80,764)</u>

Change in net assets of governmental activities	<u>\$ 285,806</u>
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The accompanying notes are an integral part of these financial statements.

NORTH OAKLAND COUNTY FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AMENDED BUDGET AND ACTUAL
GOVERNMENTAL FUND TYPE - GENERAL FUND
For the year ended June 30, 2004

	GENERAL FUND		
	ORIGINAL AND AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Tri-party contributions	\$ 898,305	\$ 930,628	\$ 32,323
Interest	7,000	9,181	2,181
Other	13,890	102,950	89,060
TOTAL REVENUES	919,195	1,042,759	123,564
EXPENDITURES			
Wages, taxes, and medical	456,576	369,750	86,826
Insurance	49,500	57,709	(8,209)
Repairs and maintenance	55,000	71,403	(16,403)
Operating supplies	33,500	56,295	(22,795)
Contract dispatching	22,500	19,844	2,656
Other operating expenditures	70,900	88,227	(17,327)
Capital outlay	231,219	111,605	119,614
TOTAL EXPENDITURES	919,195	774,833	144,362
REVENUES OVER EXPENDITURES	-	267,926	267,926
FUND BALANCE, BEGINNING OF YEAR	37,684	37,684	-
FUND BALANCE, END OF YEAR	\$ 37,684	\$ 305,610	\$ 267,926

The accompanying notes are an integral part of these financial statements.

NORTH OAKLAND COUNTY FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The *North Oakland County Fire Authority*, (the "Authority"), was legally established on July 16, 1984 and began operations on July 1, 1985. It is a joint authority created by contractual agreement between Holly Township, Rose Township and the North Oakland County Fire Authority. Its purpose is to provide fire protection services and emergency medical transportation to citizens residing in the Authority boundaries.

The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

The accounting policies of the *North Oakland County Fire Authority* conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances. The Authority's major funds are reported in separate columns in the aforementioned financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tri-party contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to

NORTH OAKLAND COUNTY FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the principal operating fund of the Authority. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

The *Capital Projects Fund* is used to account for financial resources for the acquisition of major equipment.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

BUDGETARY INFORMATION

Comparisons to budget are presented for the General Fund as required by generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Authority. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrance accounting is not utilized by the Authority.

DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts and certificates of deposit with an original maturity date less than 90 days from the original issue date.

NORTH OAKLAND COUNTY FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Michigan law authorizes the Authority to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

Investments are carried at fair value.

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of

NORTH OAKLAND COUNTY FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Machinery and equipment	10
Vehicles	15

2. DEPOSITS

At year end, the carrying amounts and bank balance of the Authority's deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking accounts	\$ 80,858	\$ 103,380
Savings accounts / certificates of deposit	<u>677,300</u>	<u>677,300</u>
	<u>\$ 758,158</u>	<u>\$ 780,680</u>
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 180,858	\$ 200,000
Uninsured, uncollateralized	<u>577,300</u>	<u>580,680</u>
	<u>\$ 758,158</u>	<u>\$ 780,680</u>

The Authority's deposits are in accordance with statutory authority.

NORTH OAKLAND COUNTY FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Capital assets being depreciated:				
Buildings	785,530	-	-	785,530
Machinery and equipment	70,500	-	(22,500)	48,000
Vehicles	1,093,000	93,595	(195,000)	991,595
Total capital assets being depreciated	<u>1,949,030</u>	<u>93,595</u>	<u>(217,500)</u>	<u>1,825,125</u>
Less accumulated depreciation				
Buildings	(394,754)	(19,638)	-	(414,392)
Machinery and equipment	(55,220)	(3,820)	22,500	(36,540)
Vehicles	(676,000)	(57,306)	195,000	(538,306)
Total accumulated depreciation	<u>(1,125,974)</u>	<u>(80,764)</u>	<u>217,500</u>	<u>(989,238)</u>
Capital assets being depreciated, net	<u>823,056</u>	<u>12,831</u>	<u>-</u>	<u>835,887</u>
Governmental activities capital assets, net	<u>\$ 938,056</u>	<u>\$ 12,831</u>	<u>\$ -</u>	<u>\$ 950,887</u>

NORTH OAKLAND COUNTY FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

4. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

5. EXCESS EXPENDITURES OVER BUDGET

The General Fund had excesses of expenditures over appropriations at the legal level of budgetary control as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Insurance	\$ 49,500	\$ 57,709	\$ (8,209)
Repairs and maintenance	55,000	71,403	(16,403)
Operating supplies	33,500	56,295	(22,795)
Other operating expenditures	70,900	88,227	(17,327)

6. RESTATEMENTS

Implementation of new accounting standards

As of and for the year ended June 30, 2004, the Authority implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- ◆ No. 34 - *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- ◆ No. 37 - *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 - *Certain Financial Statement Note Disclosures*

Interpretation

- ◆ No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

NORTH OAKLAND COUNTY FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Authority was required to implement the new requirements no later than the current fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards include:

- ◆ Management's discussion and analysis;
- ◆ Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net assets:

Government-wide financial statements.

Beginning net assets for governmental activities were determined as follows:

Fund balances of general and capital projects funds as of 6/30/03	\$ 488,364
Add: governmental capital assets, including general fixed assets, as of 6/30/03	2,064,030
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	<u>(1,125,974)</u>
Governmental net assets, restated, as of 6/30/03	<u>\$ 1,426,420</u>

* * * * *

INTERNAL CONTROL AND COMPLIANCE



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 12, 2004

To the Board of Directors
North Oakland County Fire Authority
Holly, Michigan

We have audited the financial statements of the governmental activities and each major fund of the *North Oakland County Fire Authority* as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *North Oakland County Fire Authority's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *North Oakland County Fire Authority's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Authority Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Johnson